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Russian Federation

Sugar

Sugar Semi-Annual Report

2005

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Report Highlights:

Russia is forecast to produce 2.25 million metric tons (MMT) of sugar from beets in marketing year (MY) 2006. Sugar beet planted area decreased in MY 2006 but harvested area continues to grow as farmers increase their use of technology and inputs. Raw sugar imports increased in MY 2006 to fill reduced domestic stocks. As a result, refined sugar production increased by 28 percent in January-June 2005 compared to the same period in 2004.

Includes PSD Changes: Yes
Includes Trade Matrix: No
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Executive Summary

Russia is forecast to produce 2.25 million metric tons (MMT) of sugar from beets in marketing year 2006 thanks in part to ideal weather conditions. Sugar beet planted area decreased in MY 2006 but harvested area grew as farmers increase their use of technology and inputs. Raw sugar imports increased in MY 2006 due to higher production of sugar-containing products and reduced stocks. At the same time, sugar beet acreage decreased in MY 2006 due to the late arrival of spring in the beet planting regions. Refined sugar production increased in MY 2005 as a result of higher raw sugar imports in January-August 2005.

Production

Thanks in part to ideal weather conditions, total sugar production in 2006 is forecast to increase to 2.25 MMT. As of October 2005, 8.7 MMT of sugar beets were harvested from 320,000 hectares of land (39 percent of total), up an impressive 1.2 MMT compared to last year. In addition, the average sugar beet yield was 27.4 metric tons (MT) per hectare, or 1.1 MT more than in 2004. (Note: Marketing year 2006 refers to the time period beginning September 2005 and ending August 2006. The beets are harvested in the beginning of this marketing season, generally September or October, and processed into sugar from November until March. USDA marketing year 2006 corresponds to calendar year 2005 in Russian statistics in terms of beet production.)

From January-July 2005, Russia produced 28 percent more refined sugar in comparison to the same time period in 2004. This is a result of higher raw sugar imports. Production of most sugar-containing products have increased as well. For example, the production of confectionary products increased by 6 percent, production of sparkling wine increased by 23 percent and soft drink production increased by 15 percent. At the same time, wine production decreased by 30 percent in comparison with 2004.

Sugar beet planting area decreased in MY 2006 but harvested area continues to grow as farmers increase their use of technology and inputs and use well developed contractual relationships with processors to build more consistent and efficient farming operations.

Table 1. Production of sugar beets, calendar year

	2002	2003	2004	End of September, 2005
Sugar beet area, 1,000 hectares	809	924	863	811
Sugar beet harvest, MMT	15.7	19.4	21.7	8.7
Yield, MT/hectare	21.9	22.8	27.6	27.4

Source: Russian Federal State Statistics Service

Production Subcategory

Table 2: White sugar production, calendar year

	2003	2004	January-June 2005 as % of January June 2004*
Total	5,841	4,852	128
Including: From sugar beets	1,901	2,251	N/a
From raw sugar	3,940	2,601	N/a

Source: *Pishchevaya promishlennost*, (Food Industry magazine), #2, 2005

*Russian Statistic Service

Consumption

The overall volume of sugar consumption in Russia is increasing. The long-term trend is for increasing use of sugar in processed and convenience food products and a slight reduction in sugar used in home canning. Russian candy and confectionary production continues to grow. For example in 2005, the production of confectionary products increased by 6 percent, production of sparkling wine increased by 23 percent and soft drink production increased by 15 percent.

Trade

From 2002-2004, raw sugar imports were decreasing. It started to grow beginning the first quarter of 2005 and has continued to rise steadily. The reason for this change is that sugar consumption increased while stocks were decreasing due to low imports. Russian sugar imports in MY 2006 are forecast at 4.2 MMT, up 5 percent from the previous year. Imported raw sugar is forecast to be over 80 percent of total imports.

Russia remains the world's largest raw sugar importer with raw sugar imports making up more than half of total supply. In some years, imported raw sugar accounted for as much as 70 percent of total supply. Brazil overtook Cuba as the biggest raw sugar exporter to the Russian Federation in 2005.

The Russian sugar industry continues to claim that there are significant amounts of sugar coming into Russia through various mechanisms to avoid the sugar tariff. Industry experts state that over one million tons of third-country sugar is imported through neighboring countries and illegally take advantage of no or reduced duties. A governmental inquiry into this allegation has confirmed this to be true and has recommended enforce Russia's regional trading agreements (i.e., country-of-origin clauses) and to work to fix loopholes in the sugar- containing products tariff structure.

Table 3: Russian sugar imports, MT, 2002-2004

Description	Jan-Dec 2002	Jan-Dec 2003	Jan-Dec 2004
--The World--			
17 SUGARS	4,866,373	4,600,944	2,893,410
1701 CANE/BEET,SOLID FORM	4,591,627	4,247,785	2,783,317
170111 CANE,RAW,SOLID FORM	4,428,179	4,096,783	2,582,927

Source: World Trade Atlas

Table 4: Russian sugar imports, MT, in MY 2005

Description	4th Qtr 2004	1st Qtr 2005	2nd Qtr 2005
--The World--			
17 SUGARS	670,421	564,586	1,463,991
1701 CANE/BEET,SOLID FORM	640,765	538,774	1,434,172
170111 CANE,RAW,SOLID FORM	597,840	493,170	1,393,696

Source: World Trade Atlas

Table 5: Russia – Imports 170111 Cane, Raw, Solid Form, Quantity in MT

January - June				
Rank	Country	2003	2004	2005
0	--The World--	2,301,250	1,426,817	1,886,866
1	Brazil	833,405	665,936	1,492,522
2	Cuba	655,060	677,271	185,167
3	Colombia	20,450	30,718	49,167
4	Costa Rica	0	0	46,046
5	Thailand	422,753	5,500	29,772
6	Honduras	19,000	0	28,490
7	El Salvador	88,549	45,619	23,126
8	Nicaragua	68,067	0	21,500

Source: World Trade Atlas

Stocks

Sugar stocks will increase due to higher imports and stable domestic sugar beet production.

Policy

On June 20, 2005, Russian Prime Minister Mikhail Fradkov approved a protocol on the gradual removal of trade barriers within the CIS. The Russian Foreign Ministry has approved the draft protocol elaborated by the Ministry of Economic Development and Trade (MEDT) and other related executive bodies. Minister Fradkov said it would be expedient to sign the protocol at the next meeting of CIS leaders. The draft protocol envisions the cancellation of excise taxes for white sugar by January 1, 2007 and for ethyl alcohol, wine grapes, vermouth and other fermented beverages by January 1, 2012.

Policy Subcategory

The Russian sugar producers managed to encourage MEDT to start investigating possible violations by Belarus regarding illegal sugar shipments. If violations are detected, Russia will introduce a \$149 variable levy per MT of imported sugar from Belarus. The Russian Sugar Union insists that the variable levy be introduced immediately. The investigation will last from nine to 12 months. During the investigation, Belarus is only permitted to export to Russia (duty free) sugar beet sugar. Cane sugar is subject to levy of \$340 per MT.

PSD Table

Country	Russian Federation	Commodity	Sugar Beets	(1000 HA)(1000 MT)	2004	Revised Post	2005 USDA Official	Estimate Post	2006 USDA Official	Forecast Post	UOM
					USDA Official [Old]	Estimate[New]	[Old]	Estimate[New]	[Old]	Estimate[New]	
Market Year						09/2003		09/2004		09/2005	MM/YYYY
Begin											
Area Planted					1000	1000	0	1000	0	980	(1000 HA)
Area Harvested					920	920	0	950	0	950	(1000 HA)
Production					17000	19300	0	21700	0	21000	(1000 MT)
TOTAL SUPPLY					17000	19300	0	21700	0	21000	(1000 MT)
Utilization for Sugar					17000	19300	0	21700	0	21000	(1000 MT)
Utilizatr for Alcohol					0	0	0	0	0	0	(1000 MT)
TOTAL UTILIZATION					17000	19300	0	21700	0	21000	(1000 MT)
					-	-	-	-	-	-	

PSD Table

Country	Russian Federation						
Commodity	Sugar, Centrifugal				(1000 MT)		
	2004 USDA Official [Old]	Revised Post Estimate[New]	2005 USDA Official [Old]	Estimate Post Estimate[New]	2006 USDA Official [Old]	Forecast Post Estimate[New]	UOM
Market Year Begin		10/2003		10/2004		10/2005	MM/YYYY
Beginning Stocks	1050	1050	440	440	280	580	(1000 MT)
Beet Sugar Production	1930	1930	2250	2250	2100	2250	(1000 MT)
Cane Sugar Production	0	0	0	0	0	0	(1000 MT)
TOTAL Sugar Production	1930	1930	2250	2250	2100	2250	(1000 MT)
Raw Imports	3250	3250	2700	3600	3000	3500	(1000 MT)
Refined Imp.(Raw Val)	420	420	1000	700	1000	700	(1000 MT)
TOTAL Imports	3670	3670	3700	4300	4000	4200	(1000 MT)
TOTAL SUPPLY	6650	6650	6390	6990	6380	7030	(1000 MT)
Raw Exports	10	10	10	10	10	10	(1000 MT)
Refined Exp.(Raw Val)	100	100	100	100	100	100	(1000 MT)
TOTAL EXPORTS	110	110	110	110	110	110	(1000 MT)
Human Dom. Consumption	6100	6100	6000	6300	6000	6450	(1000 MT)
Other Disappearance	0	0	0	0	0	0	(1000 MT)
Total Disappearance	6100	6100	6000	6300	6000	6350	(1000 MT)
Ending Stocks	440	440	280	580	270	570	(1000 MT)
TOTAL DISTRIBUTION	6650	6650	6390	6990	6380	7030	(1000 MT)
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